If the co-owners are husband and wife, one-half of the value of the property is included in a deceased spouse's gross estate for tax purposes. No tax liability occurs because property passing to the surviving spouse is exempt from federal estate tax and North Carolina inheritance tax. If the property was acquired before 1977, however, the amount included in the deceased spouse's gross estate may be the amount of that spouse's contributions. Ask your attorney or tax advisor for details.

If the co-owners are not husband and wife, the value of the entire property is included in the deceased co-owner's gross estate except to the extent of the surviving owner's contributions. See Example 3.

EXAMPLE 3

Joe and Mike open a joint bank account with a right of survivorship. Joe deposits $500, and Mike deposits $1,000. Joe dies. The entire $1,500 will be included in Joe's gross estate for tax purposes if his executor fails to prove that Mike contributed $1,000. If Joe's executor can prove Mike's $1,000 contribution, only $500 will be included in Joe's gross estate.

There are special survivorship accounts available in North Carolina for which a beneficiary may be designated. These accounts offer several advantages. Check with your bank for details.

Conclusion

The way you own your property will affect how it is distributed after your death. Automatic survivorship rules take precedence over what you have written in your will. A carefully designed estate plan can be undermined if you do not consider the forms of property ownership. It is often advisable to change the form of ownership to achieve your estate planning goals. To help your attorney and tax advisor develop your estate plan, make a list of your property. Provide copies of titles and deeds to help your attorney determine the form of ownership. Knowing how you own your property is essential when you begin to develop an appropriate estate plan for you and your family.

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